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SIPDIS

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TAGS: [ETTC](#) [PARM](#) [IT](#) [IR](#) [EXPORT](#) [CONTROLS](#)

SUBJECT: IRANIAN FAST BOATS

REF: A. SECSTATE 56208

1B. 04 ROME 2964 AND PREVIOUS

Classified By: Economic Minister-Counselor Scott Kilner for Reasons 1.4
(b), (c), and (d)

11. (S) Summary. In response to Ref. A demarche, Italy's Export Control Coordinator Carol Tripepi assured us that the GOI will continue to block the export of FB Design's last fast boat under its contract with Iran, and that he was unaware of any ongoing business between the company and Iranian entities. Tripepi also stated that the GOI had recently turned down a license request by Isotta Fraschini for the export of non-magnetic engines to Iran. More problematically, Tripepi greeted with skepticism our concerns over indigenous Iranian fast boat production capabilities; he would not agree to discuss the matter with FB Design and suggested that further details be passed through intelligence channels. Finally, Tripepi insisted that further discussion of broadening controls (including more flexible Italian controls) on fast boats and other potential dual-use items should be conducted in multilateral fora. Embassy will also be discussing our demarche with the Ministry of Productive Activities and the Ministry of Defense, and will report their reactions. End summary.

12. (SBU) Ecmn and econoff discussed Ref. A demarche for one hour on May 4 with Carlo Tripepi, MFA Non-Proliferation Coordinator (as well as Director of the MFA's Arms Material Authorization Unit, which licenses Italian munitions exports). Tripepi was accompanied by Carlo Formosa, Office of the Director General for the Middle East and the Mediterranean; Bruno Campria, Office of Persian Gulf Affairs; and Carmelo Barbarello, Non-Proliferation Coordinator's Office.

13. (S) In presenting the demarche, Ecmn noted our continued appreciation for Italy's blocking of FB Design's last fast boat under its contract with Iran. He expressed strong U.S. concern, however, that Iran's Joolae Marine Industries (JMI) was now serial-producing hulls for such boats in Iran using the prototypes supplied earlier by FB Design. Ecmn further stressed our concern about any technical assistance that FB Design or the engine manufacturer Isotta Fraschini might be providing Iran. The U.S. continued to urge Italy to find the means to permanently implement more flexible controls for sensitive exports to Iran that did not clearly fall under a multilateral regime, as other European countries have managed to do. We also delivered the additional paper detailing fifteen incidents last fall involving Iran's threatening use of patrol boats in the Persian Gulf, presenting it as an illustration of Iran's continued provocative behavior.

14. (S) In responding, Tripepi first reconfirmed that the GOI would continue to prevent delivery of the final FB Design patrol boat to Iran. He also said that he had no evidence of continuing FB Design business involvement with Iranian entities. However, Tripepi forcefully reiterated assertions, which he has made to us in the past, that flexible controls on exports like patrol boats need to be addressed in a multilateral context. Such a discussion had begun within the Wassenaar Arrangement, he said, and that is where it should remain.

15. (S) The fundamental problem, Tripepi continued, was that fast boats were readily available in many other countries that did not impose any form of export controls. Even FB Design boats theoretically could be shipped today to a third country, and then onward to Iran, with the GOI unaware of such transshipment and thus unable to prevent the export. Tripepi flatly rejected our contention that several European countries had successfully controlled the export of items like patrol boats. All EU members applied essentially the same export control regime, with the partial exception of the U.K., he stated.

16. (S) Tripepi said he was unaware of any licensing arrangements that would legally permit Iranian domestic production of boats based on FB Design prototypes, although he could not guarantee that a license had not been granted. When pressed, he resisted the suggestion of approaching FB Design regarding any past transfers of technology because

such transfers a) would have been legal at the time and b) could not now be reversed in any case. Asked whether FB Design (and the GOI) would not be concerned if Iranian companies had "pirated" advanced fast boat designs, Tripepi

countered that this would be a commercial dispute, which the company should pursue through international dispute resolution mechanisms.

17. (S) Tripepi also questioned the specificity of our information regarding Iranian domestic production. While conceding that Iran may well be producing "generic" fast boats, he asked how the U.S. "really knew" the boats were being produced according to advanced FB Design specifications. Tripepi was skeptical that, even with FB Design prototypes, Iran would be able to manufacture patrol boats of the same quality as those produced in Italy, especially given Iran's lack of easy access to the advanced construction materials used to fabricate such boats in Italy. Tripepi suggested that exchange of more detailed information through intelligence channels would enable the GOI to better evaluate whether there would be any value in another approach to FB Design.

18. (S) In response to Ecmin,s query on whether Isotta Fraschini was supplying engines or services to Iran, Tripepi noted that the GOI had denied a license for the firm to export eight "amagnetic" (presumably meaning non-magnetic) engines to Iran. Such engines, he added, had military characteristics that required a munitions, rather than a dual-use, license. Tripepi claimed not to know whether Isotta Fraschini was still in contact with Iran regarding ongoing or future commercial transactions.

19. (S) Comment: We interpret Tripepi's argumentation as an effort to draw some clear lines with respect to what the Italian government (or at least the MFA) will, and will not, do regarding future cooperation on fast boats and related U.S. systemic concerns over Italy's export control regime. The GOI will: 1) continue to hold the line on blocking the last delivery of the last FB Design boat; 2) continue to carefully scrutinize license applications to Iranian end-users, blocking those items which are on multilateral control lists (like the non-magnetic engines); 3) discuss broadening dual-use controls in multilateral fora. What the GOI will strongly resist is: 1) requests for unilateral changes to Italian export control laws and practices, outside of a multilateral framework; 2) requests to block Italian export, even to states of concern, of items that are not subject to multilateral controls; 3) requests to investigate Italian companies absent strong evidence of a violation of agreed multilateral export control regulations.

10. (S) Comment (cont.): While perhaps presented more forcefully on this occasion, Tripepi's positions are consistent with MFA views throughout the course of our long-running disputes with Italy over fast boats. What progress we have made on the issue (blocking the last of 12 boats), was accomplished on the initiative of the Ministry of Productive Activities (to which we will next present our demarche) without apparent assistance from the Foreign Ministry. End Comment.

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